

# Interest Earnings

Coal Trust Interest  
Common School Interest and Income  
Treasury Cash Account Interest



**Legislative Fiscal Division**



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Trust Interest

**Revenue Description:** Article IX, section 5 of the Montana Constitution requires that 50.0 percent of all coal severance tax revenue be deposited in a Permanent Coal Tax Trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house". Coal severance tax funds flowing into the trust fund are first used to secure state bonds issued to finance water resource and renewable resource development projects and activities. The funds are then split with 75 percent flowing into the Treasure State Endowment Trust fund and 25 percent flowing into the Treasure State Endowment Regional Water System Trust fund. By statute, interest earned on the Permanent Trust that is not earmarked to other programs is distributed 100.0 percent to the general fund. When calculating interest earnings, the impact of loans made from the trust, such as for the Montana Science and Technology Alliance, are taken into account.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of permanent coal tax trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). In addition, state law provides that trust funds may be used for in-state commercial loans to stimulate economic development. The state Constitution prohibits the investment of the permanent trust in common stock.

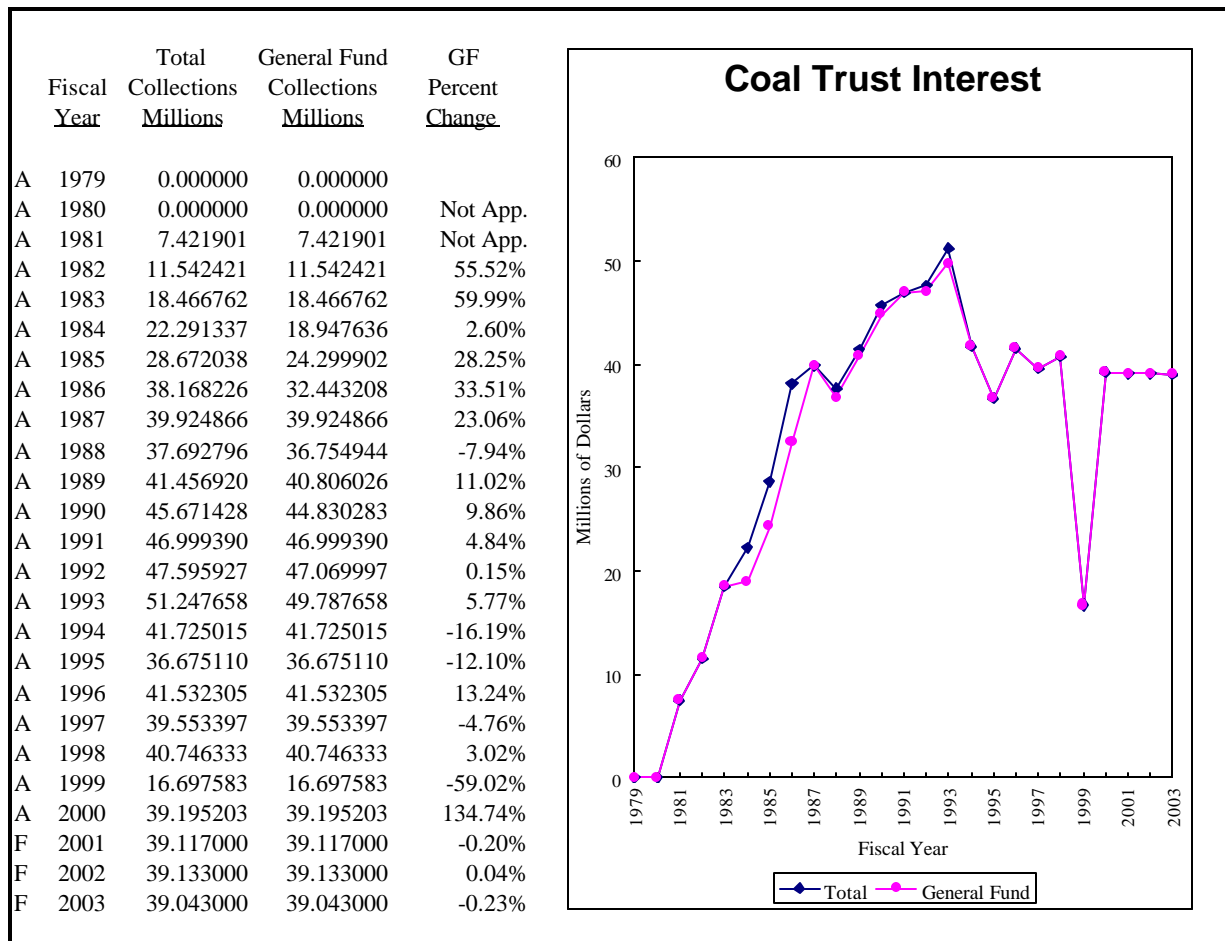
**Applicable Tax Rate(s):** N/A

**Distribution:** Interest earned on the permanent coal tax trust fund is deposited into the general fund.

**Statute:** Title 17, Chapter 6, MCA

**% of Total FY 2000 General Fund Revenue:** 3.37%

#### Revenue Projection:



# Legislative Fiscal Division

## Revenue Estimate Profile

### Coal Trust Interest

#### NOTE:

Due to the transition to a new state accounting system and other factors, an unusually large number of accounting errors occurred in fiscal 2000. The errors not only impact the general fund, but other funds as well. To correct these errors and ensure an accurate Comprehensive Annual Financial Report for the state, adjustments must be made in fiscal 2001 as prior year adjustments. All of these necessary adjustments may not be known at this time. The actual fiscal 2000 revenue shown in the table above was adjusted for these accounting errors, but has not been audited by the Legislative Auditor.

The general fund adjustment to this general fund revenue source that was known as of November 10, 2000 is -\$9,508,574.

#### Revenue Estimate Assumptions:

	t	Total Rev.	GF Rev.	Trust Shares	Total Shares	Trust Pool	Other Pool
	Fiscal	Millions	Millions	Millions	Millions	Interest	Income
						Millions	Millions
Actual	2000	39.195203	39.195203	4.313079	11.821189	78.564737	5.084671
Forecast	2001	39.117000	39.117000	4.313079	11.821189	78.564737	5.063916
Forecast	2002	39.133000	39.133000	4.313079	11.821189	78.564737	5.084671
Forecast	2003	39.043000	39.043000	4.313079	11.821189	78.564737	4.966292

	t	Pool Short	Gains	Fees	Amortizations	Lending	Accretions
	Fiscal	Term Interest	Losses	Millions	Millions	Millions	Millions
		Millions	Millions				
Actual	2000	2.402942	0.697222	-0.197184	-1.337427	0.283705	3.235413
Forecast	2001	2.382187	0.697222	-0.197184	-1.337427	0.283705	3.235413
Forecast	2002	2.402942	0.697222	-0.197184	-1.337427	0.283705	3.235413
Forecast	2003	2.284563	0.697222	-0.197184	-1.337427	0.283705	3.235413

	t	Net Coal Tax	Bond	New Deposit	Long Term	Non Pool	Non Pool	Non Pool
	Fiscal	New Deposit	Subsidy	Interest	Rate	STIP	STIP Bal	STIP Int
		Millions	Millions	Millions		Rate	Millions	Millions
Actual	2000	0.000000	0.000000		7.3910%	6.2520%	15.334577	
Forecast	2001	0.000000	0.403796	0.000000	7.3690%	6.1980%	15.334577	0.950437
Forecast	2002	0.000000	0.445295	0.000000	7.3910%	6.2520%	15.334577	0.958718
Forecast	2003	0.000000	0.411765	0.000000	7.3780%	5.9440%	15.334577	0.911487

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## Legislative Fiscal Division

### Revenue Estimate Profile

#### Coal Trust Interest

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	t	Non Pool In-State Rate	Non Pool In-State Bal Millions	Non Pool In-State Int Millions	Non Pool Other Rate	Non Pool Other Bal Millions	Non Pool Other Int Millions
	Fiscal						
Actual	2000						
Forecast	2001	6.0000%	127.567412	7.654045	6.7759%	0.000000	0.000000
Forecast	2002	6.0000%	127.567412	7.654045	6.7759%	0.000000	0.000000
Forecast	2003	6.0000%	127.567412	7.654045	6.7759%	0.000000	0.000000

	t	Non Pool MSTA Rate	Non Pool MSTA Bal Millions	Non Pool MSTA Int. Millions	Non Pool MSTA Inc. Millions	Non Pool MSTA Total Millions
	Fiscal					
Actual	2000					
Forecast	2001	6.7759%	0.000000	0.000000	0.000000	0.000000
Forecast	2002	6.7759%	0.000000	0.000000	0.000000	0.000000
Forecast	2003	6.7759%	0.000000	0.000000	0.000000	0.000000

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Common School Interest and Income

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**Revenue Description:** Lands granted by the federal government to the state for the benefit of public schools generate income. The common school trust is actually part of the trust and legacy trust fund that includes nine other trusts. Prior to fiscal 1996, income from the common school trust was deposited in the state equalization account. Beginning in fiscal 1996, this income was deposited in the general fund, as mandated by SB 83, passed by the 1995 legislature. The common school lands produce two kinds of revenue: 1) distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and 2) permanent income that is returned to the trust such as income from the sale of minerals, land, and easements. Excluding timber revenue and after deducting 3.0 percent of the revenue for use by the Department of Natural Resources and Conservation (DNRC), distributable revenues are deposited 95.0 percent to the general fund and, due to Senate Bill 48 (discussed below), the remaining 5.0 percent is available to fund the Trust Land Management Division of DNRC. The 3.0 percent allocation to DNRC is used for resource development purposes. Timber revenue is first used by DNRC to fund its timber program with the remainder deposited into the general fund for technology equipment and training and for the support of public schools.

Senate Bill 48, passed by the 1999 legislature, provides for the diversion of the following funds for the purpose of funding the Trust Land Management Division in the DNRC: 1) mineral royalties; 2) revenues from the sale of easements; and 3) 5.0 percent of interest and income previously credited to the common school trust. The amount of the money diverted from the common school trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds (which includes the trust and legacy fund of which the common school trust is a part), were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of common school trust funds are invested as part of the TFBP. Some funds, however, are invested on a short term basis in the state's Short Term Investment Pool (STIP). The state Constitution prohibits the investment of common school trust funds in common stock.

**Applicable Tax Rate(s):** N/A

**Distribution:** As described above, interest and income from common school lands (excluding timber sales and amounts deducted to fund DNRC) is distributed 95.0 percent to the general fund. The remaining 5.0 percent is available to fund the Trust Land Management Division with the remainder deposited to the trust fund.

**Statute:** Title 20, Chapter 9 and Title 77, Chapter 1, MCA

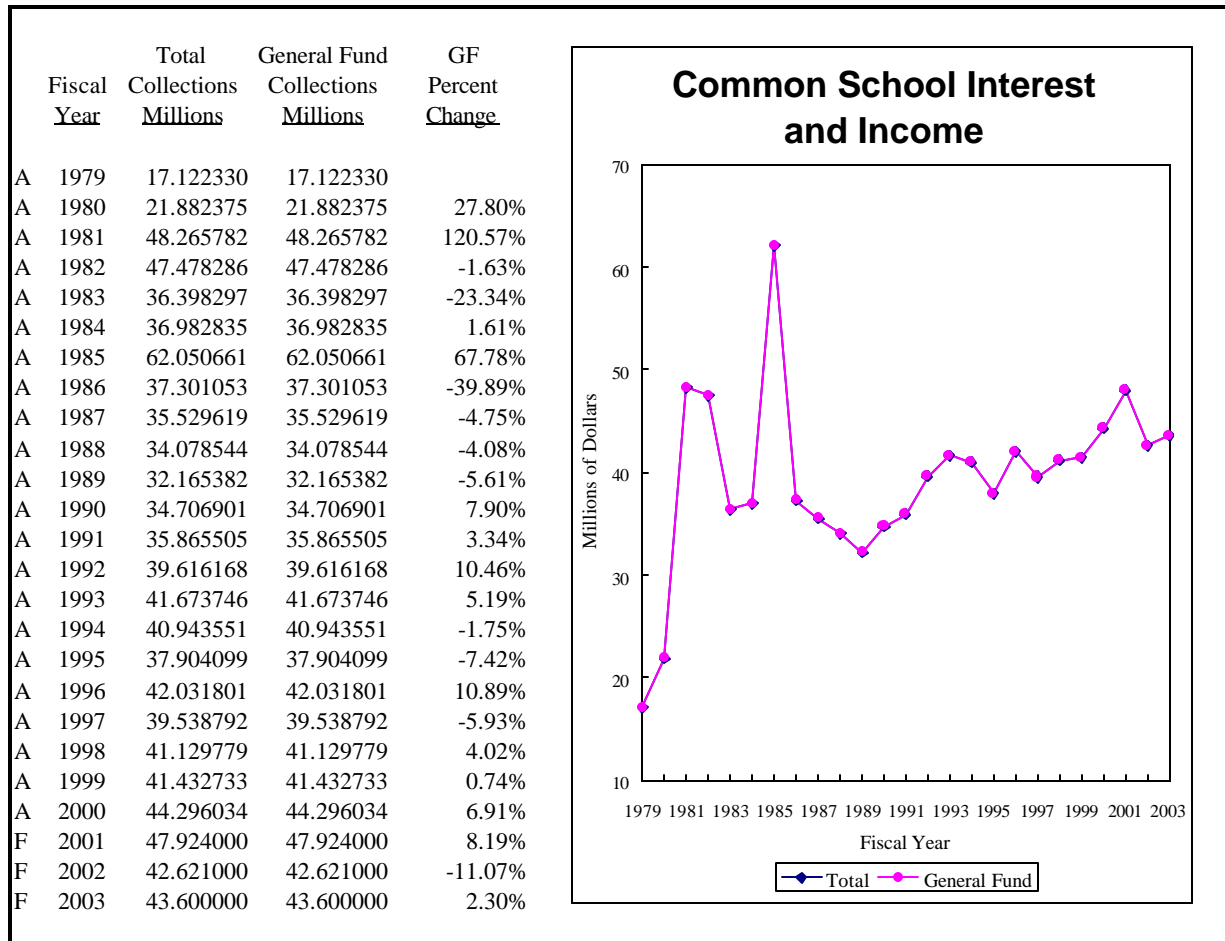
**% of Total FY 2000 General Fund Revenue:** 3.81%

# Legislative Fiscal Division

## Revenue Estimate Profile

### Common School Interest and Income

#### Revenue Projection:



#### Revenue Estimate Assumptions:

	t	Total Rev.	GF Rev.	Trust Shares	Total Shares	Trust Pool	Other Pool	Common
	Fiscal	Millions	Millions	Millions	Millions	Interest	Income	School Share
						Millions	Millions	T&L
Actual	2000	44.296034	44.296034	3.583217	11.821189	78.564737	5.084671	0.938562
Forecast	2001	47.924000	47.924000	3.583217	11.821189	78.564737	5.077838	0.938562
Forecast	2002	42.621000	42.621000	3.583217	11.821189	78.564737	5.084671	0.938562
Forecast	2003	43.600000	43.600000	3.583217	11.821189	78.564737	4.938141	0.938562

	t	Pool Short	Gains	Fees	Amortizations	Lending	Accretions
	Fiscal	Term Interest	Losses	Millions	Millions	Millions	Millions
		Millions	Millions				
Actual	2000	2.402942	0.697222	-0.197184	-1.337427	0.283705	3.235413
Forecast	2001	2.396109	0.697222	-0.197184	-1.337427	0.283705	3.235413
Forecast	2002	2.402942	0.697222	-0.197184	-1.337427	0.283705	3.235413
Forecast	2003	2.256412	0.697222	-0.197184	-1.337427	0.283705	3.235413

**Legislative Fiscal Division**  
**Revenue Estimate Profile**  
**Common School Interest and Income**

	t	Trust Income New Deposit Fiscal Millions	Trust Land Admin. Millions	New Deposit Interest Millions	Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions	Non Pool STIP Int Millions
Actual	2000	10.962021	0.000000					
Forecast	2001	6.505141	-3.478551	0.253308	7.3690%	6.1980%	11.676486	0.723709
Forecast	2002	7.111158	-3.742886	0.757307	7.3910%	6.2520%	11.676486	0.730014
Forecast	2003	8.194991	-3.737578	1.322663	7.3780%	5.9440%	11.676486	0.694050

	t	Grazing Millions	Agriculture Millions	Misc. Millions	O&G Lease Millions	O&G Bonus Millions	O&G Penalty Millions	Misc. Millions
Actual	2000	4.065911	9.053155	0.000000	1.328220	1.277231	0.261334	1.127779
Forecast	2001	4.765911	9.030172	0.000000	1.343636	6.682821	0.222374	1.228463
Forecast	2002	4.765911	9.023642	0.000000	1.399842	0.515021	0.220232	1.366014
Forecast	2003	4.765911	9.152148	0.000000	1.480473	0.547065	0.221141	1.573707

	t	Int. Land Millions	Int. STIP Millions	Int. Trust Millions	Timber Millions	Res. Dev. Millions	Net Millions	Timber Not Subject 95% Millions
Actual	2000	0.000566	0.706653	23.905761	5.379555	-0.513416	44.263112	
Forecast	2001	0.000397	0.880758	24.712901	2.253294	-0.698201	47.923900	0.450000
Forecast	2002	0.000268	0.789691	25.193796	2.069690	-0.518720	42.621318	0.744000
Forecast	2003	0.000175	0.768211	25.648976	2.200242	-0.532213	43.600544	1.320000

	t	Total Timber Millions	Timber Sales Pgm. Millions	School Technology Millions
Actual	2000	7.067954	1.688399	0.000000
Forecast	2001	3.900000	1.646706	0.450000
Forecast	2002	4.100000	2.030310	0.744000
Forecast	2003	4.300000	2.099758	1.320000



# Legislative Fiscal Division

## Revenue Estimate Profile

### Treasury Cash Account Interest

**Revenue Description:** The Department of Commerce Board of Investments is responsible for investing all state funds. Title 17, Chapter 6, MCA, provides guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund account. Treasury cash is invested in a mixture of short and medium-term investments. Consequently, the interest assumptions adopted by the legislature incorporate a blend of short and intermediate-term rates. When needed to address cash flow problems, the state typically issues tax and revenue anticipation notes (TRANS). The legislature would then adopt TRANS issuance assumptions, since this affects the average investable balance. TRANS are anticipated at \$20.0 million in each of the 2003 biennium.

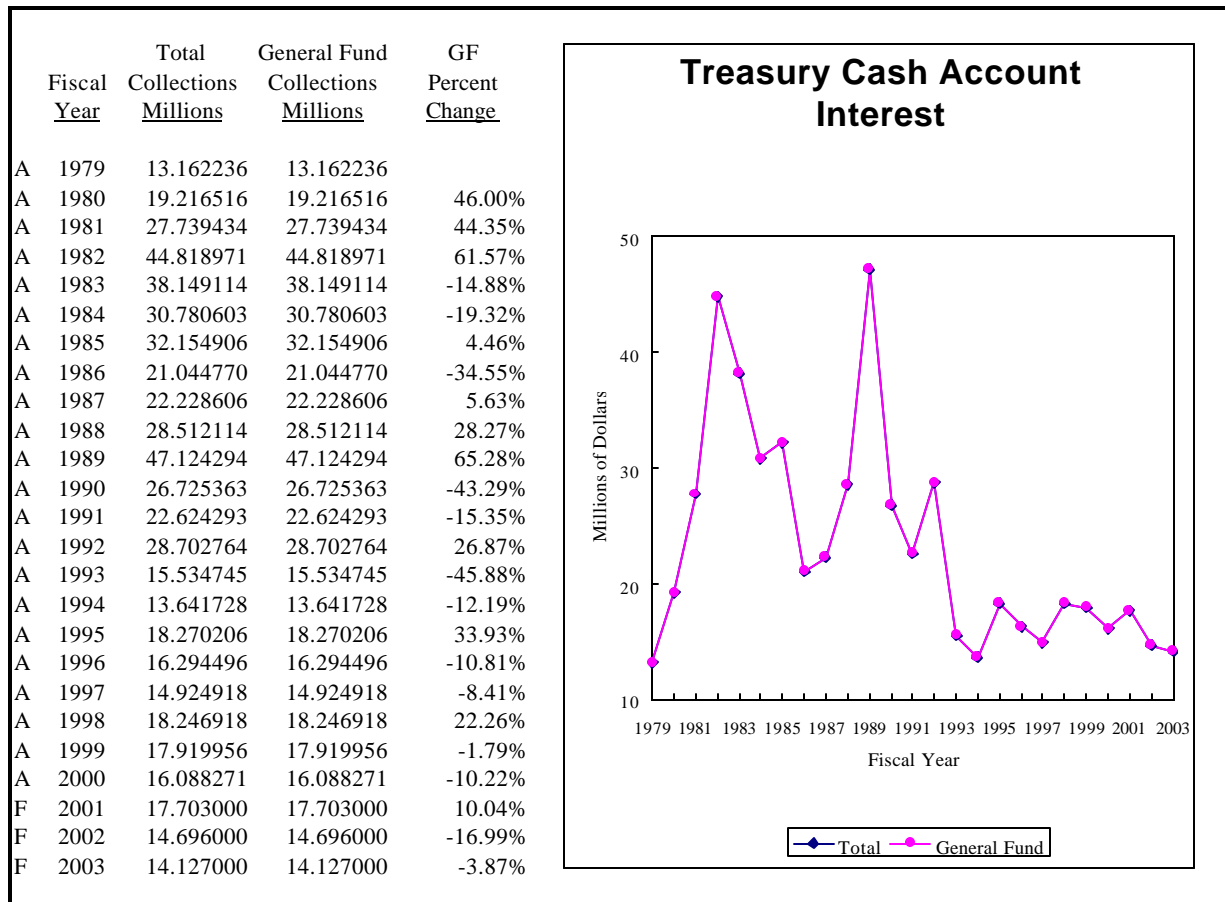
**Applicable Tax Rate(s):** N/A

**Distribution:** All investment earnings on the treasury cash account (TCA) are deposited into the general fund.

**Statute:** Title 17, Chapter 6, MCA

**% of Total FY 2000 General Fund Revenue:** 1.38%

**Revenue Projection:**



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**Legislative Fiscal Division**  
Revenue Estimate Profile  
**Treasury Cash Account Interest**

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**Revenue Estimate Assumptions:**

	t	Total Rev.	GF Rev.	Avg. Bal.	Interest	Issue	TRANS
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Cost</u>
Actual	2000	16.088271	16.088271	303.627590	0.052987	0.000000	0.000000
Forecast	2001	17.703000	17.703000	268.828705	0.065854	0.042519	0.000000
Forecast	2002	14.696000	14.696000	222.702750	0.065991	0.042607	0.639105
Forecast	2003	14.127000	14.127000	222.702750	0.063437	0.040958	0.614370

	t	Base Bal.	TRANS	TRANS	Legislation	DOT Bal.	GF Bal.
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Length</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	303.628000	0.000000	0.000000	0.000000	28.702840	183.800000
Forecast	2001	268.828705	0.000000	0.000000	0.000000	20.000000	116.578000
Forecast	2002	207.702750	20.000000	0.750000	0.000000	0.000000	116.578000
Forecast	2003	207.702750	20.000000	0.750000	0.000000	0.000000	116.578000